

MAEF PUBLIC CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

MAEF Public Charter Schools, Inc.
Financial Statements
September 30, 2022

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
MAEF Public Charter Schools, Inc.
Mobile, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc. as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MAEF Public Charter Schools, Inc. basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc., as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MAEF Public Charter Schools, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MAEF Public Charter Schools, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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shareholders J. Earl Blackmon, CPA • Dennis E. Sherrin, CPA • Rachel G. Young, CPA
of counsel Xavier A. Hartmann, III, CPA • Rucker T. Taylor, III, CPA • Sally S. Wagner, CPA

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAEF Public Charter Schools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MAEF Public Charter Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, budgetary comparison information on pages 36-38, schedule of proportionate share of the net pension liability and schedule of board contributions on pages 39-40, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 41-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of MAEF Public Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MAEF Public Charter Schools, Inc.'s internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

March 30, 2023
Brewton, Alabama

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MAEF Public Charter Schools, Inc.
Management Discussion and Analysis
September 30, 2022

Introduction

The MAEF Public Charter Schools, Inc.'s (the "School") discussion and analysis presents the overall financial position and operating results of the fiscal year that ended September 30, 2022. The Management's Discussion and Analysis (MD&A) reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations:

- The School's Net Position increased by \$551,648 in FY 2022. The activities revenues overall were \$7,522,757 in FY 2022 and \$4,558,460 in FY 2021, resulting in an increase of \$2,964,297 or 65.03% over the prior year. The School's continual rise in student enrollment and increases in local, state and federal revenues have contributed to this increase.
- Overall, the School's revenues and other financing sources exceeded expenditures and other financing uses by \$551,648.

Overview of the Financial Statement and Use of This Report

This discussion and analysis serves as an introduction to the School's basic financial statements, which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The first two statements are government-wide financial statements, the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the School's overall financial status. The focus of the *Statement of Net Position* is designed to be similar to bottom line results for the School and its activities.

The *Statement of Net Position* presents information on all of the School's assets less liabilities which results in net position. The statement is designed to display the financial position of the School. Over time, increases and decreases in net position help determine whether the School's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the School's net position changed as a result of the year's activities. The statement uses the full accrual basis of accounting. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the School (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The School uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the School can be classified into one category: governmental funds.

MAEF Public Charter Schools, Inc.
Management Discussion and Analysis
September 30, 2022

Governmental funds – Most of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements, the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances*, are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and are an integral part of the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the General Fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the School as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position. The School's total liabilities exceeded assets by \$695,349 at September 30, 2022.

- The significant variances in Current Assets, Capital Assets and Long-Term Liabilities is related to the funding and construction of lease hold improvements on the new school building location.

The following table reflects a Summary of Net Position compared to the prior year:

Table 1: Summary of Net Position

Assets	FY 2022	FY 2021	Variance
Current and other assets	\$ 990,749	\$ 2,089,856	-52.59%
Capital assets	7,544,405	2,045,292	100.00%
Deferred Outflows of Resources	2,075,801	1,967,989	5.48%
Total Assets and Deferred Outflows of Resources	\$ 10,610,955	\$ 6,103,137	53%
Liabilities			
Current and other liabilities	\$ 132,144	55,113	139.77%
Long-Term Liabilities	9,836,767	6,425,994	53.08%
Deferred Inflows of Resources	1,337,393	653,764	104.57%
Total Liabilities and Deferred Outflows of Resources	\$ 11,306,304	\$ 7,134,871	297.42%
Net Position			
Net investment in capital assets	\$ 758,711	\$ 226,967	100.00%
Restricted for:			
Education	189,155	112,420	68.26%
Construction	253,212	1,390,915	-81.80%
Unrestricted	(1,896,427)	(2,977,299)	-36.30%
Total Net Position	\$ (695,349)	\$ (1,246,997)	-44.24%

MAEF Public Charter Schools, Inc.
Management Discussion and Analysis
September 30, 2022

The School's total revenues and expenditures are reflected in the following table:

Table 2: Changes in Net Position
For the Year Ended September 30, 2022

Revenues	FY 2022	FY 2021	Variance
Program Revenues:			
Charges for Services	\$ 1,468,604	\$ 1,513,001	-2.93%
Operating Grants and Contributions	4,147,509	3,045,459	36.19%
Capital Grants and Contributions	1,906,644	-	0.00%
Total Revenues	7,522,757	4,558,460	33.26%
Expenditures			
Instructional	4,038,819	2,280,589	77.10%
Instructional Support	516,516	419,855	23.02%
Operation and Maintenance	589,118	576,661	2.16%
Student Transportation	2,024	900	124.89%
Food Service	323,251	57,708	460.15%
General Administrative	1,489,280	1,347,918	10.49%
Interest and Fiscal Charges	12,101	-	0.00%
Total Expenditures	6,971,109	4,683,631	697.81%
Changes in Net Position	551,648	(125,171)	540.72%
Net position - Beginning of Year	(1,246,997)	(1,121,826)	
Net position - End of Year	\$ (695,349)	\$ (1,246,997)	

Revenues

- Charges for Services – Increased due to additional philanthropic funding to support our expanded educational activities as the School began to serve middle school students.
- Operating Grants and Contributions – Increased due to increased student enrollment and additional federal funding to address learning loss due to the COVID-19 Pandemic.
- Overall increase due to additional staffing, supplies, equipment, and technology needed to reopen school in the Fall of 2022 as the school continued to grow enrollment. Federal reimbursements were delayed in their receipt to offset these expenditures and were not received until after the close of the fiscal year.

The recording of our proportionate share of the state's retirement pension plan as prescribed by GASB Statement No. 68 and our proportionate share of the state's other post-employment benefits as prescribed by GASB Statement No. 75 are major contributors towards the decrease in Net Position.

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MAEF Public Charter Schools, Inc.
Management Discussion and Analysis
September 30, 2022

Net Cost of Services

Table 3: Net Cost of Governmental Activities
For the Year Ended September 30, 2022

	FY 2022		FY 2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
Instructional	\$ 4,038,819	\$ 3,483,938	2,280,589	\$ 2,277,871
Instructional Support	516,516	(516,516)	419,855	(419,855)
Operation and Maintenance	589,118	(589,118)	576,661	(576,661)
Student Transportation	2,024	(2,024)	900	(900)
Food Service	323,251	(323,251)	57,708	(57,708)
General Administrative	1,489,280	(1,489,280)	1,347,918	(1,347,918)
Interest and Fiscal Charges	12,101	(12,101)	-	-
	<u>\$ 6,959,008</u>	<u>\$ 563,749</u>	<u>\$4,683,631</u>	<u>\$ (125,171)</u>

Table 3 is a condensed statement taken from the Statement of Activities showing the total cost for providing identified services for seven major School activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the School used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Financial Analysis of the School's Funds

The School uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the School is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the School's overall financial health. The following analysis of the School's funds should be read in reference to the fund financial statements.

- General Fund – The General Fund is the primary operating fund for the School. After these twelve-months of operation, the General Fund has a positive fund balance of \$416,238, an increase of \$100,093 from the prior period.
- Special Revenue Fund – The Special Revenue Fund is used to account for the Child Nutrition Program, grants and awards, and local, public school, funds. The Special Revenue Fund Balance at the end of the year was \$189,155, an increase of \$76,735 from the prior period. The increase in fund balance is related to the increase in federal funding.
- Capital Projects Fund – The Capital Projects Fund accounts for all financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund Balance at the end of the year was \$-0-.
- MAEF Real Estate Holdings, Inc. (Blended Component Unit) – In March 2021, the School's Board of Directors approved the creation of MAEF Real Estate Holdings to direct the acquisition and operations of school facilities to support our current and future needs. This business unit is appointed by the School's Board of Directors, and its activities are included in the combined financials of the School. The fund balance at the end of the year was \$253,212.

Overall, the School's governmental funds reflected an excess of \$960,875 of Expenditures/Other Financing Uses over Revenues/Other Financing Sources.

**MAEF Public Charter Schools, Inc.
Management Discussion and Analysis
September 30, 2022**

Budgetary Highlights

The original 2022 fiscal year budget, adopted on September 15, 2021, was based on a conservative approach that reflected only allocated revenues and necessary expenditures. The final budget was approved on September 15, 2022. For purposes of budgetary analysis, only the General Fund of the School is discussed in accordance with the GASB 34 reporting module. The School complied with State Department of Education requirements for budget adjustments.

The comparisons of the General Fund and Special Revenue Fund original budgets to the final amended budgets are reflected in the required supplementary information in the report. The two budgets were amended to correct beginning fund balances and account for changes in state, federal, and local sources.

Capital Assets and Debt Administration

- Capital Assets – To support the expansion of the School to serve grades 6-12, the Board of Directors has secured a larger facility through its affiliate MAEF Real Estate Holdings, Inc. and is currently exploring land acquisition to support the new program. This will serve to increase capital assets and debt administration, but the expansion will also increase revenues due to increased student enrollment and philanthropic support for the expansion of the School.
- Long-term Liabilities - At the end of the twelve-month period, the School shows a Net Pension Liability of \$1,842,000 and a Net OPEB liability of \$947,749 at the end of the fiscal period, a decrease of \$214,000 and an increase \$4,383, respectively, over last year. Note 8 Long-Term Liabilities in the Notes to the Financial Statements provides a detailed summary of the long-term debt transactions and pension liabilities of the School. Additionally, the School, through its component business unit, has secured a loan in amount of \$3,400,000 for tenant improvement of its 3725 Airport Boulevard facility located in Mobile, Alabama Blue Hub Capital, Inc, a community development financial institution located in Boston, Massachusetts. Since the construction has not been completed, this debt is not yet in repayment.

Economic Factors and Next Year's Budget

The following are currently known economic factors considered going into the 2022-2023 fiscal year:

- While national and local philanthropy may be reduced due to economic uncertainty, the contributions to support the activities of the School are expected to grow as national and statewide charter school expansion grants are secured by the Board of Directors.
- State revenues are projected to increase slightly for public schools in the state of Alabama.
- Federal revenues are expected to increase due to additional appropriations by the U.S. Congress.

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MAEF Public Charter Schools, Inc.
Statement of Net Position
September 30, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 30,049
Receivables, Net	691,207
Loan Proceeds Receivable	261,324
Inventories	8,169
Capital Assets:	
Nondepreciable	3,897,387
Intangible Right-to-Use, Net	3,647,018
Total Assets	8,535,154
Deferred Outflows of Resources	
Employer Pension Contribution	278,529
Employer OPEB Contribution	57,732
Proportionate Share of Collective Deferred Outflows	
Related to Net Pension Liability	766,000
Related to Net OPEB Liability	973,540
Total Deferred Outflows of Resources	2,075,801
Liabilities	
Accounts Payable	119,655
Accrued Interest Payable	12,489
Long-Term Liabilities:	
Portion Due or Payable Within One Year	228,501
Portion Due or Payable After One Year	6,189,749
Intangible Right-to-Use Lease Liability	3,418,517
Total Liabilities	9,968,911
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	576,000
Related to Net OPEB Liability	761,393
Total Deferred Inflows of Resources	1,337,393
Net Position	
Net Investment in Capital Assets	758,711
Restricted for:	
Education	189,155
Construction	253,212
Unrestricted	(1,896,427)
Total Net Position	\$ (695,349)

The accompanying notes are an integral part of these financial statements.

MAEF Public Charter Schools, Inc.
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 4,038,819	\$ 1,468,604	\$ 4,147,509	\$ 1,906,644	\$ 3,483,938
Instructional Support	516,516	-	-	-	(516,516)
Operation and Maintenance	589,118	-	-	-	(589,118)
Student Transportation	2,024	-	-	-	(2,024)
Food Service	323,251	-	-	-	(323,251)
General Administrative	1,489,280	-	-	-	(1,489,280)
Interest and Fiscal Charges	12,101	-	-	-	(12,101)
Total Governmental Activities	<u>\$ 6,971,109</u>	<u>\$ 1,468,604</u>	<u>\$ 4,147,509</u>	<u>\$ 1,906,644</u>	<u>551,648</u>
Changes in Net Position					551,648
Net Position - Beginning of Year					<u>(1,246,997)</u>
Net Position - End of Year					<u><u>\$ (695,349)</u></u>

The accompanying notes are an integral part of these financial statements.

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MAEF Public Charter Schools, Inc.
Balance Sheet
Governmental Funds
September 30, 2022

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	MAEF Real Estate	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 122,028	\$ -	\$ -	\$ 4,694	\$ 126,722
Receivables, Net	380,423	310,784	-	-	691,207
Loan Proceeds Receivable	-	-	-	261,324	261,324
Inventories	-	8,169	-	-	8,169
Total Assets	<u>\$ 502,451</u>	<u>\$ 318,953</u>	<u>\$ -</u>	<u>\$ 266,018</u>	<u>\$ 1,087,422</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 86,213	\$ 33,124	\$ -	\$ 12,806	\$ 132,143
Checks in excess of deposits		96,674	-	-	96,674
Total Liabilities	<u>86,213</u>	<u>129,798</u>	<u>-</u>	<u>12,806</u>	<u>228,817</u>
Fund Balances					
Restricted for:					
Education	-	189,155	-	-	189,155
Construction	-	-	-	253,212	253,212
Unassigned	416,238	-	-	-	416,238
Total Fund Balances	<u>416,238</u>	<u>189,155</u>	<u>-</u>	<u>253,212</u>	<u>858,605</u>
Total Liabilities and Fund Balances	<u>\$ 502,451</u>	<u>\$ 318,953</u>	<u>\$ -</u>	<u>\$ 266,018</u>	<u>\$ 1,087,422</u>

The accompanying notes are an integral part of these financial statements.

11
MAEF Public Charter Schools, Inc.
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2022

Total Fund Balances - Governmental Funds		\$	858,605
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			7,544,405
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			468,529
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.			269,879
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Notes Payable	\$	(3,400,000)	
Intangible Right-to-Use Lease Liabilities		(3,647,018)	
Net Pension Liability		(1,842,000)	
Net OPEB Liability		(947,749)	(9,836,767)
Total Net Position - Governmental Activities		\$	<u>(695,349)</u>

The accompanying notes are an integral part of these financial statements.

12
MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
September 30, 2022

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	MAEF Real Estate	Total Governmental Funds
Revenues					
State	\$ 3,749,354	\$ -	\$ 398,155	\$ -	\$ 4,147,509
Federal	-	1,906,644	-	-	1,906,644
Local	1,467,452	1,152	-	-	1,468,604
Total Revenues	5,216,806	1,907,796	398,155	-	7,522,757
Expenditures					
Current:					
Instructional	3,136,450	536,169	-	-	3,672,619
Instructional Support	335,761	180,755	-	-	516,516
Operation and Maintenance	386,240	20	202,859	-	589,119
Auxiliary Services:					
Student Transportation	2,024	-	-	-	2,024
Food Service	-	323,251	-	-	323,251
General Administrative	949,416	356,301	-	207	1,305,924
Capital Outlay	-	-	-	1,852,095	1,852,095
Debt Service:					
Principal Retirement	209,983	-	-	-	209,983
Interest and Fiscal Charges	5,594	-	-	6,507	12,101
Total Expenditures	5,025,468	1,396,496	202,859	1,858,809	8,483,632
Excess (Deficiency) of Revenues Over Expenditures	191,338	511,300	195,296	(1,858,809)	(960,875)
Other Financing Sources (Uses)					
Payments to MAEF Real Estate	(91,245)	(434,565)	(222,263)	-	(748,073)
Payments from the School	-	-	-	748,073	748,073
Total Other Financing Sources (Uses)	(91,245)	(434,565)	(222,263)	748,073	-
Net Changes in Fund Balances	100,093	76,735	(26,967)	(1,110,736)	(960,875)
Fund Balances - Beginning of Year	316,145	112,420	26,967	1,363,948	1,819,480
Fund Balances - End of Year	\$ 416,238	\$ 189,155	\$ -	\$ 253,212	\$ 858,605

The accompanying notes are an integral part of these financial statements.

13
MAEF Public Charter Schools, Inc.
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
September 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ (960,875)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlays	\$ 1,852,095	
Amortization	<u>(183,355)</u>	1,668,740

Repayment of principal and other debt service is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	209,983
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension Expense	238,974	
OPEB Expense	<u>127,226</u>	(366,200)

Change in Net Position of Governmental Activities	<u>\$ 551,648</u>
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The accompanying notes are an integral part of these financial statements.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

MAEF Public Charter Schools, Inc. was incorporated on July 28, 2016, to create, manage, operate, and direct public schools. The financial statements of the MAEF Public Charter Schools, Inc. DBA Accel Day and Evening Academy (the School) have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). Pursuant to Chapter 290-3-6 of the Alabama Code, “The Alabama School Choice and Student Opportunity Act”, the School operates under an approved charter granted by the Alabama Public Charter School Commission (the Commission), an agency of the State. The Charter was granted for a term of 5 years commencing August 2016 and is subject to annual or more frequent review by the Commission. The Charter was granted for an additional 5 years in 2022.

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 61, the School includes those funds, account groups, agencies, boards, commissions and authorities for which the School has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. INDIVIDUAL COMPONENT UNIT DISCLOSURES

MAEF Real Estate, Inc. is a nonprofit corporation who is governed by a board appointed by the School’s elected board. The services provided by MAEF Real Estate, Inc. are exclusively for the benefit of the School. It was created to own real estate and obtain debt funding for the benefit of the School. Therefore, the activity for MAEF Real Estate, Inc. is presented as a blended component unit.

C. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from grants entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Level

The government fund level financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the School are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds

General Fund—The General Fund is used to account for all revenues and expenditures applicable to the general operations of the School which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund—Special revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources.

Capital Project Fund—Capital project funds are used to account for the financial resources used to construct or acquire major capital items.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: federal financial assistance programs, which are measurable and available to finance expenditures of the current period.

E. INCOME TAXES

The School is a nonprofit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is reflected in the statement of activities. The income tax filings are subject to examination by taxing authorities, generally, for three years after they are filed.

F. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

GASB Statement No. 87, *Leases* was issued to improve the consistency of accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB Statement No. 87 are effective for the fiscal year 2022. The School is currently evaluating the impact that this statement may have on its financial statements. See note 9 and 10 for the impact on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for the fiscal year 2022. The School implemented GASB 89 in fiscal year 2022 with no significant impact on the financial statements.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement 92, *Omnibus 2020*, was issued as guidance addressing various accounting and financial reporting issues identified during the implementation and application of GASB Statement No. 87, *Leases*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, GASB Statement No. 84, *Fiduciary Activities*, and the measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The various requirements of GASB Statement No. 92 are effective for the fiscal year 2022. The School is currently evaluating the impact that this statement may have on its financial statements. The School implemented GASB 92 in fiscal year 2022 with no significant impact on the financial statements.

Recently Issued Accounting Principles

GASB Statement 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) note disclosures regarding a SBITA. The requirements of GASB Statement No. 96 are effective for the fiscal year 2023. The School is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, was issued to define *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, along with the accounting, reporting, and disclosures relating to these changes. The requirements of GASB Statement No. 100 are effective for the reporting periods beginning after June 15, 2023. The School is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 101, *Compensated Absence*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of GASB Statement No. 101 are effective for the reporting periods beginning after June 15, 2023. The School is currently evaluating the impact that this statement may have on its financial statements.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments. The State Attorney General has issued a legal opinion that Schools of education may not put public funds at risk by investing in companies not insured by the federal government.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The School adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which superseded GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following five components:

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the School's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the School, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The School authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of "restricted, committed or assigned fund balances." This portion of the total fund balance in the general fund is available to finance operating expenditures.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the School to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classification could be used, it shall be the policy of the School that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

C. ENCUMBRANCES

Encumbrances represent commitments related to underperformed contracts for goods or services. Encumbrances accounting—under which purchase orders, contracts and other commitments for the expenditure or resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

D. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of the following at September 30, 2022:

	Governmental Activities
Deferred outflows of resources as related to the net pension liability	\$ 1,044,529
Deferred outflows of resources as related to the net OPEB liability	1,031,272
	<u>\$ 2,075,801</u>

E. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of the following at September 30, 2022:

	Governmental Activities
Deferred inflows of resources as related to the net pension liability	\$ 576,000
Deferred inflows of resources as related to the net OPEB liability	761,393
	<u>\$ 1,337,393</u>

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PENSIONS

The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

G. SUBSEQUENT EVENTS

The School has evaluated subsequent events through March 30, 2023, the date which the financial statements were available to be issued.

There were no material subsequent events which require disclosure at September 30, 2022.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the School's investments. The School is authorized to invest in U.S. Government obligations and its agencies or instrumentalities. The School has no investment policy that further limits investment choices.

Custodial Credit Risk

The School maintains a number of bank accounts with a service provider. The Federal Deposit Insurance Corporation (FDIC) insures all of the Organization's bank accounts up to a maximum of \$250,000.

NOTE 3 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 4 RELATED PARTY TRANSACTIONS

The School is affiliated with the Mobile Area Education Foundation (MAEF) by reason of common management and economic interest.

The following related party transactions occurred with MAEF as of and for the year ended September 30, 2022:

Accounts payable	\$ 18,261
Income	27,147
Administration expenses	190,000

NOTE 5 INTERFUND TRANSACTIONS

During the course of normal operations, the School has numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reflected as operating transfers or receivables and liabilities. Transactions reimbursing a fund for expenditures are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers. The School typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures.

NOTE 6 DEFINED BENEFIT PENSION PLAN

Plan Description

The School contributes to the Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan for the various state-supported educational agencies and institutions. The TRS was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its School of Control. The TRS School of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS School of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 6 **DEFINED BENEFIT PENSION PLAN (continued)**

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical School to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters are required by statute to contribute 8.50% of earnable compensation.

Effective 10/1/2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the School were \$278,529 for the year ended September 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022, the School reported a liability of 1,842,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The School's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the School's proportion was 0.019558 percent, which was an increase of 0.002938 percent from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the School recognized pension expense of \$238,974. At September 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows Resources	Inflows of Resources
Differences between expected and actual experience	\$ 85,000	\$ 107,000
Changes of assumptions	193,000	-
Net difference between projected and actual earnings on pension plan investments	-	435,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	488,000	34,000
Employer contributions subsequent to the measurement date	278,529	-
Total	<u>\$ 1,044,529</u>	<u>\$ 576,000</u>

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

Deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date was reported at \$278,529 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2023	\$ 141,000
2024	112,000
2025	13,000
2026	(76,000)
Thereafter	-
	<u>\$ 190,000</u>

Actuarial Assumptions

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25%-5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	<u>Set Forward(+)/</u> <u>Setback (-)</u>	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 6 **DEFINED BENEFIT PENSION PLAN (continued)**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target	Long-Term Expected Rate
	Allocation	of Return
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of collective net pension liability	\$ 2,712,000	\$ 1,842,000	\$ 1,110,000

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 6 **DEFINED BENEFIT PENSION PLAN (continued)**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 7 **OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The School contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance School (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the School. The School is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the School with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance School (SEIB).

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the School with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the School is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the School for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the School for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2022, the School reported a liability of \$947,749 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the School's proportion was 0.018343 percent, which was an increase of 0.003807 percent from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the School recognized OPEB expense of \$127,226, with no special funding situations. At September 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,424	\$ 329,723
Changes of assumptions	337,532	367,355
Net difference between projected and actual earnings on OPEB plan investments	-	29,564
Changes in proportion and differences between Employer contributions and proportionate share of contributions	613,584	34,751
Employer contributions subsequent to the measurement date	57,732	-
Total	<u>\$ 1,031,272</u>	<u>\$ 761,393</u>

Deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to measurement date was report as \$57,732 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2023	\$ 105,203
2024	52,068
2025	(33,569)
2026	43,622
2027	41,002
Thereafter	3,821
	<u>\$ 212,147</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.50%
Salary increases ¹	3.25%-5.00%
Long-term investment rate of return ²	7.00%
Municipal bond index rate at the measurement date	2.29%
Municipal bond index rate at the prior measurement date	2.25%
Project year for fiduciary net position (FNP) to be depleted	2051
Single equivalent interest rate the measurement date	3.97%
Single equivalent interest rate the prior measurement date	3.05%
Healthcare cost trend rate	
Pre-medicare eligible	6.50%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2028
Medicare eligible	4.50% in 2025

¹ Includes 2.75% wage inflation.

² Compounded annually, net of investment expense and includes inflation

**Initial Medicare claims are set based on scheduled increases through plan year 2022

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male:+2 Female:+2	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69, 98% ages >74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male:+8 Female:+3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male:+2 Female:None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama School on September 13, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020 valuation.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Accel Day and Evening Academy's proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

The following table presents the MAEF Public Charter Schools, Inc.'s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
School's proportionate share of collective net OPEB liability	\$ 743,672	\$ 947,749	\$ 1,210,681

The following table presents the MAEF Public Charter Schools, Inc.'s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.97%	Current Rate 3.97%	1% Increase 4.97%
School's proportionate share of collective net OPEB liability	\$ 1,165,773	\$ 947,749	\$ 772,869

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 8 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2022:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Governmental Activities:					
Notes Payable	\$ 3,426,628	\$ -	\$ 26,628	\$ 3,400,000	\$ -
Total Notes Payable	3,426,628	-	26,628	3,400,000	-
Other Liabilities:					
Net Pension Liability	2,056,000	-	(214,000)	1,842,000	-
Net OPEB Liability	943,366	4,383	-	947,749	-
Total Other Liabilities	2,999,366	4,383	(214,000)	2,789,749	-
Total Governmental Activities					
Long-Term Liabilities	\$ 6,425,994	\$ 4,383	\$ (187,372)	\$ 6,189,749	\$ -

Notes Payable at September 30, 2022, were comprised of the following:

Promissory note dated May 14, 2021, with interest only payments at 4.95% due in monthly installments until May 2023, then due in monthly installments including interest at 4.95%, maturing June 25, 2027	<u>\$ 3,400,000</u>
Total Notes Payable	<u>\$ 3,400,000</u>

In May 2021, MAEF Real Estate Holdings, Inc. executed a New Market Tax Credits Financing Transaction with BlueHub Loan Fund, Inc. in order to fund the leasing and renovation of property for use as the school facility. As part of this transaction, MAEF Real Estate Holdings, Inc. received a \$3.4 million promissory note from BlueHub Loan Fund, Inc. The note has interest only payments until the conversion date (May 2023), at which time it will convert into a term loan. The School is a guarantor on the debt.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2022

NOTE 9 LEASES

In FY 2022, the School implemented the guidance of in GASB Statement No. 87, *Leases*, for accounting and reporting leases that had been previously reported as operating leases. In May 2021, the School entered into lease agreement with Mobile Festival Acquisition LLC (the Landlord) for a building to be used as the new school facility. The lease is for a term of 15 years, with monthly payments ranging from \$15,074 to \$26,372. For purposes of discounting future payments on the leases, the School used the interest rate 5% on its financing agreements to determine an appropriate discount rate.

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Governmental Activities:					
Intangible Right-of-Use Lease Liabilities	\$ -	\$ 3,830,373	\$ 183,355	\$ 3,647,018	\$ 228,501
Total	\$ -	\$ 3,830,373	\$ 183,355	\$ 3,647,018	\$ 228,501

The future minimum lease payments are as follows:

2023	\$ 228,501	\$ 42,818
2024	240,191	31,127
2025	252,480	18,838
2026	263,206	6,116
2027	234,984	58,040
2028-2032	1,284,989	169,690
2033-2036	1,142,667	120,156
	<u>\$ 3,647,018</u>	<u>\$ 446,785</u>

NOTE 10 CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2022:

	Beginning		Retirements/	Ending
	Balance	Additions	reclassification	Balance
			s	
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 160,000	\$ -	\$ -	\$ 160,000
Construction in Progress	1,885,292	1,852,095	-	3,737,387
Total Capital Assets, Not Being Depreciated	2,045,292	1,852,095	-	3,897,387
Intangible Right-to-Use Assets:				
Leased Building	-	3,830,373	-	3,830,373
Less: Accumulated Amortization	-	(183,355)	-	(183,355)
Total Intangible Right-to-Use Assets, Net	-	3,647,018	-	3,647,018
Total Governmental Activities Capital Assets, Net	\$ 2,045,292	\$ 5,499,113	\$ -	\$ 7,544,405

REQUIRED SUPPLEMENTARY INFORMATION

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MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues				
State	\$ 3,449,192	\$ 3,645,886	\$ 3,749,354	\$ 103,468
Local	969,491	969,491	1,467,452	497,961
Total Revenues	4,418,683	4,615,377	5,216,806	601,429
Expenditures				
Current:				
Instructional	2,985,600	3,182,294	3,136,450	45,844
Instructional Support	694,850	694,850	335,761	359,089
Operation and Maintenance	419,306	419,306	386,240	33,066
Auxiliary Services	-	-	2,024	(2,024)
General Administrative	376,964	376,964	949,416	(572,452)
Debt Service:				
Principal Retirement	-	-	209,983	(209,983)
Interest and Fiscal Charges	-	-	5,594	(5,594)
Total Expenditures	4,476,720	4,673,414	5,025,468	(352,054)
Excess (Deficiency) of Revenues Over Expenditures	(58,037)	(58,037)	191,338	249,375
Other Financing Sources (Uses):				
Other Financing Uses	(30,387)	(30,387)	-	(30,387)
Payments to MAEF Real Estate	-	-	(91,245)	(91,245)
Total Other Financing Sources (Uses)	(30,387)	(30,387)	(91,245)	(121,632)
Net Change in Fund Balances	(88,424)	(88,424)	100,093	127,743
Fund Balances - Beginning of Year	88,424	349,449	316,145	(33,304)
Fund Balances - End of Year	\$ -	\$ 261,025	\$ 416,238	\$ 94,439

See note to required supplementary information

MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(12) – Special Revenue Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues				
Federal	\$ 2,573,874	\$ 2,608,170	\$ 1,906,644	\$ (701,526)
Local	5,000	5,000	1,152	(3,848)
Total Revenues	2,578,874	2,613,170	1,907,796	(705,374)
Expenditures				
Current:				
Instructional	976,511	1,299,525	536,169	763,356
Instructional Support	289,895	340,961	180,755	160,206
Operation and Maintenance	-	-	20	(20)
Auxiliary Services	185,007	152,887	323,251	(170,364)
General Administrative	-	-	356,301	(356,301)
Capital Outlay	750,000	410,000	-	410,000
Other	407,848	439,968	-	439,968
Total Expenditures	2,609,261	2,643,341	1,396,496	1,246,845
Excess (Deficiency) of Revenues Over Expenditures	(30,387)	(30,171)	511,300	541,471
Other Financing Sources (Uses):				
Other financing Sources	30,387	30,387	-	(30,387)
Other financing Uses	-	-	(434,565)	(434,565)
Total Other Financing Sources (Uses)	30,387	30,387	(434,565)	(464,952)
Net Change in Fund Balances	-	216	76,735	76,519
Fund Balances - Beginning of Year	-	112,420	112,420	-
Fund Balances - End of Year	\$ -	\$ 112,636	\$ 189,155	\$ 76,519

See note to required supplementary information

MAEF Public Charter Schools, Inc.
Note to Required Supplementary Information
For the Year Ended September 30, 2022

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before October 1 of each year, the School is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the School. Neither the superintendent of education nor the School can approve any budget for operations of the school system for a fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent, with the approval of the School, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

Final budgeted amounts were adopted by the School in September 2022.

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MAEF Public Charter Schools, Inc.
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30

	2018	2019	2020	2021	2022
School's proportion of the net pension liability	0.014050%	0.012671%	0.015913%	0.016620%	0.019558%
School's proportionate share of the net pension liability	\$ 1,381,000	\$ 1,260,000	\$ 1,759,000	\$ 2,056,000	\$ 1,842,000
School's covered-employee payroll*	\$ 964,992	\$ 1,075,542	\$ 1,222,924	\$ 1,474,940	\$ 2,385,021
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.11%	117.15%	143.84%	139.40%	77.23%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	72.29%	69.85%	67.72%	76.44%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2022, the measurement period is October 1, 2020-September 30, 2021.

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MAEF Public Charter Schools, Inc.
Schedule of School Contributions
Teacher's Retirement Plan of Alabama
September 30

	2018	2019	2020	2021	2022
Contractually Required Contribution*	\$ 111,910	\$ 127,179	\$ 143,343	\$ 171,503	\$ 278,529
Contributions in relation to the contractually required contribution*	<u>111,910</u>	<u>127,179</u>	<u>143,343</u>	<u>171,503</u>	<u>278,529</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee-payroll**	\$ 964,992	\$ 1,075,542	\$ 1,222,924	\$ 1,474,940	\$ 2,385,021
Contributions as a percentage of covered-employee payroll	11.60%	11.82%	11.72%	11.63%	11.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Amount of employer contributions equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. This does not include amounts paid for Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid for the Employer's portion of the Normal Cost and Accrued Liability

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2022, the measurement period is October 1, 2020-September 30, 2021.

MAEF Public Charter Schools, Inc.
Schedule of Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

	2018	2019	2020	2021	2022
School's proportion of the net OPEB liability	0.077310%	0.013016%	0.015168%	0.014536%	0.018343%
School's proportionate share of the net OPEB liability	\$ 574,215	\$ 1,069,749	\$ 572,253	\$ 943,366	\$ 947,749
School's covered-employee payroll	\$ 964,992	\$ 1,075,542	\$ 1,222,924	\$ 1,474,940	\$ 2,385,021
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	59.50%	99.46%	46.79%	63.96%	39.74%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%	14.81%	28.14%	19.80%	27.11%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MAEF Public Charter Schools, Inc.
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually Required Contribution	\$ 31,070	\$ 42,671	\$ 29,367	\$ 31,799	\$ 57,732
Contributions in relation to the contractually required contribution	<u>31,070</u>	<u>42,671</u>	<u>29,367</u>	<u>31,799</u>	<u>57,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee-payroll	\$ 964,992	\$ 1,075,542	\$ 1,222,924	\$ 1,474,940	\$ 2,385,021
Contributions as a percentage of covered- employee payroll	3.22%	3.97%	2.40%	2.16%	2.42%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MAEF Public Charter Schools, Inc.
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2022

NOTE 1***Changes in actuarial assumptions***

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from an age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the Affordable Care Act maximum annual out-of-pocket amounts.

MAEF Public Charter Schools, Inc.
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2022

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2018 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	23 years, closed
Asset Valuation Method	Market value of assets
Inflation	2.75%
Healthcare cost trend rate	
Pre-medicare eligible	6.75%
Medicare eligible*	5.00%
Ultimate trend rate	
Pre-medicare eligible	4.75%
Medicare eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

*Initial Medicare claims are set based on scheduled increases through plan year 2019.

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board
MAEF Public Charter Schools, Inc.
Mobile, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc. as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MAEF Public Charter Schools, Inc.'s basic financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAEF Public Charter Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAEF Public Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of MAEF Public Charter Schools, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAEF Public Charter Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Avizo Group, Inc.

Certified Public Accountants

March 30, 2023
Brewton, Alabama